

To be presented by Mr Mats Odell June 2002

Deputy Chair of the Committee on Finance in the Swedish Riksdag

CHECK AGAINST DELIVERY

## **Performance budgeting**

Mr Chairman, dear participants,

In the annotated agenda for the OECD Symposium for Chairpersons of Parliamentary Budget Committees it was suggested that parliamentarians do not really use the result information which is submitted to them. This implies that valid information is not taken into account when decisions are made. It is also a waste of resources to produce information that is not used. This is probably a fairly common problem.

I will make a few remarks on this problem, relating from my experience in the Swedish parliament. I have to admit that we also suffer from this problem but sometimes the political interest for goals and results is high.

Let me start with the goals themselves. One reason for the apparent lack of interest may be that the goals and targets often are fairly technical. If the goals are more political the parliamentarians will also be more interested.

But how should we know if the goals are politically interesting? One test can be to ask whether the different political parties can agree on the goals. If both the government and the opposition think that the goals are fine, there is actually a risk that nobody cares about the goals. It is hard to disagree on goals such as “the financial system should be stable and in order”. Most goals are probably not very contested. For instance, most

parliamentarians want sustainable economic development or, at another level, safe roads.

But it is possible to set up goals that encourage political debate.

I belong to the Christian Democrats, one of the opposition parties in the Swedish parliament. We, the opposition parties, have set up a goal that Sweden should achieve three per cent growth in the Gross National Product (GNP) every year. Our policies in various areas have to contribute to this goal. For instance, the labour market must function well if this goal should be achieved. There must also be more and freer competition in some areas where the public sector now is the only employer or at least a very dominant employer.

My point here is that goals and objectives may indeed be relevant for the political debate and may show the differences between the various political alternatives.

We have also had a political debate about another goal. The social democratic government set up a goal a few years ago that the *open* unemployment should decrease by half, from eight per cent to four per cent. We, in the opposition, have been critical because we think that this goal has led to a focus on wrong matters. Simply put, it has been more important for the government to put people in labour market measures than to create conditions in order to get what you may call real jobs.

These two examples show that goals – and results – may indeed cause political interest.

These goals show the differences in the political debate.

I would now like to say a few words about another aspect. In the Swedish parliament, we try to integrate evaluation and follow-up of goals and results in the budget process. Evaluation and scrutiny are important tools in any budget system, but with performance budgeting it is indeed necessary that the parliament receives good information ex post by the government.

The Swedish budget act states, in general terms, that the government should provide the parliament with information about target, outcomes, and performance. The government provides much of this information in the budget bill but there are other channels as well.

The Swedish budget is divided in 27 expenditure areas. The government has been asked to submit reports focussing more exclusively on performance information for all expenditure areas from the year 2003. The reports are not supposed to cover everything within each expenditure area but rather to focus on some activities.

The government submitted two reports with performance information only a week ago. One report is about a goal for culture policy. This goal concerns equality, in the sense that all citizens should have access and make use of various culture activities, such as theatres, libraries, and art exhibitions. According to the report, the efforts made by the state have contributed to more equality, in this sense.

That's fine, but the conclusion in the report indicates a problem with governing by objectives and results. The conclusion is that in order to keep the high levels of cultural activity and to improve cultural equality further, the state efforts should continue to improve.

Who can say against that? I can assure you that the political opposition will not say that the state efforts should *not* improve. We may disagree with the government on the level of expenditure for public culture policy, for instance, but the efforts can always be improved.

The other report submitted by the government concerns matters that are politically more contested. This report gives an account for Sweden's implementation of the European Union's employment strategy. I will not go in to any detail, but the European Union, as well as the OECD, has stated several times over the years that Sweden should lower its taxes on labour and deregulate its labour market. As I have indicated above, these matters are central to the political debate and performance information may indeed create interest among parliamentarians.

Finally, I would like to mention that the Swedish Finance Committee has demanded certain kinds of performance information and also put more general demands on the government.

1. The goals and objectives should be formulated in a way that makes them possible to follow up.
2. The performance information must be relevant in relation to the objectives. Results should to a larger extent be given in quantitative terms.
3. The information should make it possible for the parliament to assess the fulfilment of the goals.
4. The information should to a larger extent focus on outcome and performance, and less on specific measures.
5. The information should focus more on cross-sector activities and less on specific

authorities.

6. The relation between performance and the new appropriation should be improved.

The calculation of the appropriation should be made clearer.

7. The analysis of the performance should be based on facts. A clear distinction should be made between performance information and analysis on one hand, and the government's assessment on the other hand.

8. The motives for the government's assessment and the government's conclusions should be clear in order to improve the connection between performance and draft budget.

9. The volume of information should be better adjusted to the size of public spending and to the political relevance of the policy areas. The volume of the budget bill may therefore increase.

and, finally,

10. The dialogue between parliament and government on performance information should continue. It should be a common ambition for parliament and government to further develop performance budgeting.

These demands also put demands on the parliament itself to make use of the hopefully improved performance information. If the information is politically relevant, I do think that parliament will make use of the information in the general public debate.

Thank you for your attention.